

Remarks

For the Claims:

The 23 September 2003 Office Action follows an Appeal Brief, dated 4 June 2003, filed in the above-identified case. The 4 June 2003 Appeal Brief was written in response to an 11 February 2003 second Office Action (referred to hereinafter as the "second Office Action"). The second Office Action and an earlier first Office Action, dated 24 April 2002 (referred to hereinafter as the "first Office Action", rejected claims 1-20 under the provisions of 35 U.S.C. 103(a) in view of *Walker* (U.S. Patent No. 6,208,978) and/or in view of a combination of *Walker* and *Zervides* (U.S. Patent No. 6,052,674), and further in view of one or more of the following references: *Becker* (U.S. Patent No. 5,983,238); *Halladay* (The Handbook of Equipment Leasing, Amembal & Halladay, UT, 1995); and *Graff* (U.S. Patent No. 6,192,347).

The 23 September 2003 Office Action withdraws the rejection of claims 1-20 over *Walker* in view of *Zervides* in view of Applicant's Appeal Brief.

The 23 September 2003 Office Action objects to claims 1, 16, and 20 because of an informality. In particular, the Office Action indicates that the phrase "A new and useful..." should be avoided. Accordingly, the present Amendment amends claims 1, 16, and 20 to remove this phrase.

The 23 September 2003 Office Action further rejects claims 1-20 under 35 U.S.C. §101 because the claimed invention is allegedly directed to non-statutory subject matter, particularly, an abstract idea. The Office Action further alleges that the

claimed invention does not produce a useful, concrete and tangible result therefore it is nonstatutory.

The Manual of Patent Examining Procedure (MPEP) expressly states that "Office personnel have the burden to establish a *prima facie* case that the claimed invention as a whole is directed to solely an abstract idea or to manipulation of abstract ideas or does not produce a useful result" (MPEP, Chapter 2106, Section IIA). The Office Action is in no way specific and provides no details about how the claimed invention is directed solely to an abstract idea. That allegation is merely asserted without any basis for the assertion. Since the Office Action fails to meet the requirements of a *prima facie* case, the 35 U.S.C. §101 rejection should be withdrawn without considering more.

Nevertheless, independent claims 1, 16, and 20 are being amended to more clearly point out that which Applicant believes to be the invention. In particular, claims 1, 16, and 20 are being amended to include the further limitation of "transferring affected ownership rights of said one of said item and another item to said customer in response to said second financial transaction." This "transferring" operation is taught in Applicant's specification on page 27, lines 1-14.

With reference to independent claim 1, that the claimed invention produces a "concrete and tangible result" in the same manner as was produced in *State Street Bank v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998), which also dealt with the subject matter of recording funds in accounts. In particular, the operations of establishing a reserve credit account and recording the accumulation of funds (that represent discrete dollar amounts) constitute a practical application because it produces a "concrete and tangible result" - the

ability to utilize those funds in a second financial transaction that causes affected ownership rights of an item to be transferred to the customer.

Since the claimed subject matter is "tangible and concrete," as discussed above, focus can then be directed towards its practical usefulness. The specification sets forth multiple reasons that explain why the invention is believed useful. As discussed in detail in the Background of the Invention section of Applicant's specification, when an item cost is so high that customers cannot easily pay for the item in a simple transaction, other arrangements are typically used, such as, installment sales, traditional financing, leasing, and lease-to-buy. Unfortunately, such arrangements pose a problem for the customer of having to pay undesirably high prices and high interest rates. Furthermore, in pure lease arrangements, the customer has no ability to obtain further ownership rights. Therefore, the customer cannot enjoy the benefit of item appreciation. In addition, such arrangements pose a problem for the merchant of inadequate compensation when a customer declares bankruptcy or otherwise fails to honor his future payment obligations.

Accordingly, Applicant's invention of claim 1 enables a customer to lease an item. A lease is an agreement in which the owner (merchant) of the property (item) allows use of the property for a specified period of time in exchange for periodic lease payments. Under a lease agreement, the merchant maintains ownership of the item. The invention of claim 1 further establishes a reserve credit account (RCA) and records the accumulation of funds in the RCA. The establishment of an RCA and recordation of the accumulation of funds in the RCA provides means by which a customer, engaged in a second financial transaction with the merchant, can optionally purchase the item or purchase or lease another item using the RCA funds. Thus,

affected ownership rights are transferred to the customer in response to the second financial transaction in accordance with the invention of claim 1. These affected ownership rights could be the rights of possession and use when the customer leases the "another item." Alternatively, these affected rights could be the ownership right of title (basic ownership) of either the original item or the "another item" (page 27, lines 1-14).

By using the RCA funds in the second financial transaction, a customer need not procure a lump sum of funds at a given instant. Nor is the customer obligated to purchase that particular item, but may instead engage in a second financial transaction involving another item. Accordingly, the present invention is useful for giving the customer flexibility in future dealings concerning the items. Moreover, since the item is leased in the first financial agreement, the merchant retains ownership of the item. Consequently, the present invention is useful for decreasing risk to the merchant should the customer declare bankruptcy. Since the merchant receives adequate compensation (i.e., retains ownership of the item) during bankruptcy, the merchant can set the purchase price of the item low. A lower purchase price benefits the customer who is now more able to afford the item, and benefits the merchant who is now more able to gain market share through competitive pricing.

Applicant's invention of claim 1 constitutes a practical application because it produces a useful, concrete and tangible result. The useful results are flexibility for the customer in terms of future dealings concerning the items, cost savings for the customer, and decreased financial risk for the merchant. In addition, the concrete and tangible results are the ability to utilize RCA funds (representing discrete dollar amounts) in a second financial transaction that causes affected ownership rights of an item to be transferred to the customer.

Consequently, Applicant's invention of claim 1 is indeed drawn toward a statutory process. Accordingly, Applicant respectfully requests the withdrawal of the associated rejection of claim 1 under the provisions of 35 U.S.C. §101.

Claims 2-15 depend directly or indirectly from claim 1. As such, Applicant respectfully requests the withdrawal of the associated rejection of claims 2-15 under the provisions of 35 U.S.C. §101 for the reasons set forth above. In addition, claims 2-15 include further limitations related to managing ownership of an item that produce and useful, concrete and tangible result.

By way of example, claim 10 includes the limitation of purchasing, as part of the first financial transaction, insurance to cover loss of the item and naming the merchant as a loss payee. Thus, the concrete and tangible result of the invention of claim 10 is insurance coverage of the item. The usefulness of such an operation is to decrease financial risk to the owner of the item, i.e., the merchant, in the instance of loss of the item.

Claim 13 includes the limitation of sending statements from the merchant to the customer, the statements indicating quantities of funds recording in the RCA for the customer. The useful, concrete and tangible result of the invention of claim 13 is the ability for the owner of the item, i.e., the merchant, to keep the customer informed of the amount of funds available for use in a second financial transaction. Thus, the customer is kept abreast of an amount available (that represents a discrete dollar amount) that may be optionally utilized in a second transaction involving the item or another item.

Similarly, claim 14 includes the further limitation of the statements indicating the funds needed to purchase the item by

the customer from the merchant. The useful, concrete and tangible result of the invention of claim 13 is the ability for the owner of the item, i.e., the merchant, to keep the customer informed of the amount remaining to purchase the item. Thus, the customer is kept abreast of a payoff amount for the item.

Independent claims 16 and 20 have been amended to include the additional limitation of "transferring affected ownership rights of said one of said item and another item to said customer in response to said second financial transaction", and claims 17-19 depend from independent claim 16. As such, Applicant respectfully requests the withdrawal of the associated rejection of claims 2-20 under the provisions of 35 U.S.C. §101 for the reasons set forth above.

35 U.S.C. §101 specifies that statutory subject matter must also satisfy the conditions and requirements of Title 35. These conditions and requirements include novelty, nonobviousness, and adequacy of disclosure and notice. As discussed above, claims 1-20 are directed toward a statutory process that produces a "useful, concrete and tangible result." Moreover, as argued in detail in connection with a first Amendment, dated 22 July 2002, and again in the Appeal Brief, dated 4 June 2003, none of the cited prior art, alone or in combination, renders obvious Applicant's invention of claims 1-20. Consequently, Applicant believes claims 1-20 to be allowable.

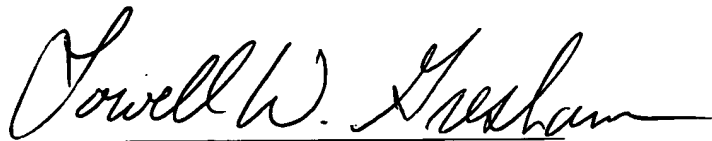
Accordingly, this Amendment amends claims 1, 16, and 20. Twice-amended claims 1, 16, and 20 remain in the application and are believed to be allowable. In addition, claims 2-15 and 17-19

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remain in the application as originally filed and are believed to be allowable.

Applicant believes that the foregoing amendments and remarks are fully responsive to the rejections recited in the 23 September 2003 Office Action and that the present application is in a condition for allowance. Accordingly, reconsideration of the present application is respectfully requested.

Respectfully submitted,

A handwritten signature in cursive script, reading "Lowell W. Gresham". The signature is written in dark ink and is positioned above the printed name and title.

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